The American Shipping Situation

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IMPORTERS have experienced growing difficulty during recent weeks in obtaining shipping space for movement of goods into the United States. Agencies in Washington responsible for stockpiling of strategic and critical materials have had some trouble in promptly moving chrome, rubber, tungsten, copper, and other materials, while industrial consumers of wool, rubber, hides, sugar, and many other commodities have experienced similar concern. As yet these difficulties have not been serious in the sense that shipments have been completely interrupted; nevertheless, all the cargo space required has not been available.

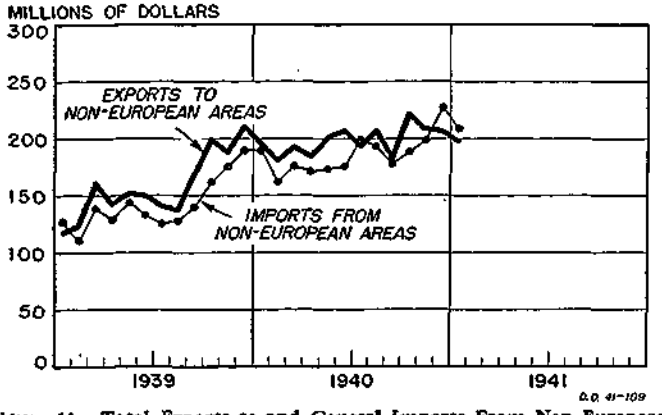

Figure 11.—Total Exports to and General Imports From Non-European Areas, 1939–41 (U. S. Department of Commerce).

Some indication that the increase in the demand for shipping facilities has exceeded expansion of the supply, is offered by an advance since the war in both time-charter and cargo freight rates. During August 1939, vessels could be chartered in areas outside of what now is the war zone for a monthly rate of $1 to $1.75 per ton. Today shipowners are obtaining as high as $7 and $8.25 a ton and the Maritime Commission is moving to stabilize rates. Cargo freight rates have also risen substantially, as shown in table 1, even though some of this rise is associated with increased costs. For example, fuel costs in general have advanced; war risk insurance is being carried on almost all vessels operating in other than coastal and nearby foreign waters; and payment of war risk bonuses has been added to higher wage rates for labor. Regardless of these increased costs, however, the expanding demand for shipping space furnished the major impetus for the rising level of freight rates.

Growth of Imports and Change in Shipping Supply.

The increasingly tight position of shipping has been the result of both demand and supply developments. Consider the demand first. Imports into the United States are currently in the heaviest volume since early 1937. Moreover, a significant shift has occurred in the source and nature of our import trade. Today the Mediterranean region and most of the continent of Europe are closed to the United States and imports from the United Kingdom have declined, amounting to only $33,900,000, or about 5 percent of the total, in the final quarter of 1940. Since the middle of 1939, the flow of goods from non-European areas has grown more than 50 percent, a fact shown clearly in figure 1. Exports to these areas have also expanded, but to a lesser degree, being smaller than imports in recent months. Finally, of considerable significance has been the change which has occurred in the make-up of our aggregate import total. In general, the proportion of total imports represented by the inward flow of bulky crude materials has increased, while that of finished goods has declined. Expansion of industrial activity and the stockpiling of strategic materials by the Government are currently bringing heavier supplies of crude materials into the country than at any other time since the twenties. These products generally require more shipping space than finished goods.

Table 1.—Employment of American Steam and Motor Merchant Vessels of 1,000 Gross Tons and Over in the Quarters Ended June 30, 1939 and Dec. 31, 1940 [1]

[In gross tons]

Service	June 30, 1939	Dec. 31, 1940	Increase or decrease in gross tonnage, Dec. 31, 1940, from June 30, 1939
Laid-up vessels, total	1,735,561	721,185	−1,014,376
Government ownership	770,188	371,523	−398,665
Private ownership	965,373	349,662	−615,711
Active in trade, total	6,392,212	6,505,808	+113,596
Foreign trade, total	2,094,212	2,434,408	+340,196
Europe	704,049	[2] 60,135	−644,514
Orient, Far East, and India	213,181	732,027	+518,846
Australasia	64,554	93,564	+29,010
Africa	81,747	247,461	+165,714
South America	319,515	484,624	+165,109
Nearby foreign [3]	532,562	631,916	+99,354
Foreign trading foreign [4]	75,880	12,148	−63,732
Around the world	102,124	172,533	+70,409
Coastwise trade, total	4,298,000	4,071,400	−226,600
Intercoastal	1,022,152	745,266	−276,886
Other than intercoastal	3,275,848	3,326,134	+50,286
Special service [5]	7,117		
Government service [6]		52,203	
Merchant fleet, grand total	8,134,890	7,279,196	−855,694

[1] Does not include lake or river tonnage.
[2] Portugal and Spain only.
[3] Includes Canada, Mexico, Central America, West Indies, and North Coast of South America to and including the Guianas.
[4] Ships engaged in operations in foreign ports.
[5] In custody of U. S. Coast Guard.
[6] Loaned to the War Department.

Source: United States Maritime Commission.

[1] Assistance in the preparation of this article was received from Albert E. Sanderson, Transportation Division of the Bureau of Foreign and Domestic Commerce, and from the United States Maritime Commission.

For many years the American Merchant Marine has been inadequate to handle our import needs. Following the World War, other nations built up the size and efficiency of their merchant fleets, but American shipbuilding languished. The proportion of our total commerce carried in American-flag vessels dropped steadily from 51 percent in 1921, to 41 percent in 1927, 35 percent in 1932, and to a low of 23 percent in 1939. However, in 1940 this trend was reversed, as explained below.

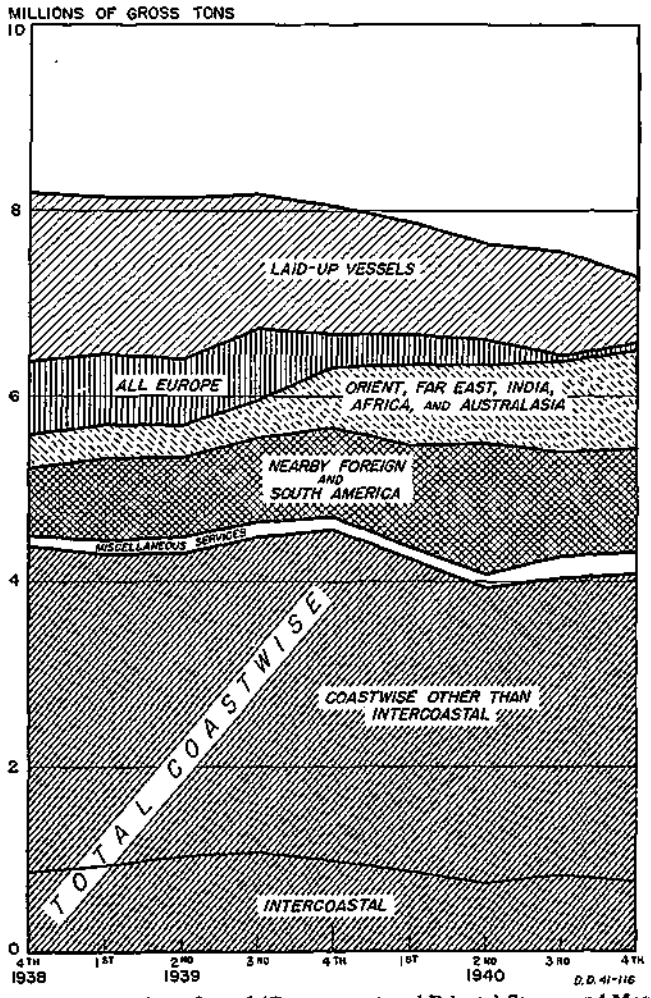

Figure 12.—American-Owned (Government and Private) Steam and Motor Merchant Vessels of 1,000 Gross Tons and Over Engaged in or Assigned to Ocean Trade In the Quarters Ended December 31, 1938–December 31, 1940 (U. S. Maritime Commission).

NOTE.—Data do not include lake or river tonnage. Vessels operating in two or more trade services are assigned to the service in which the largest portion of operation was performed during the three-month period. "Nearby foreign" includes Canada, Mexico, Central America, West Indies, and north coast South America to and including the Guianas. "Miscellaneous services" includes around the world, foreign trading foreign (ships engaged in operations between foreign ports), special service (in custody of U. S. Coast Guard), and Government service (loaned to War Department).

The shift in employment of American vessels since the middle of 1939 is shown in both figure 12 and table 1. The spread of war forced about 650,000 gross tons of American shipping—10 percent of the total active fleet—from European routes by the end of 1940. As our imports increased, ship lanes to the Orient, Far East, Africa, Australia, South America, and nearby foreign countries not only absorbed this tonnage but attracted most of 275,000 gross tons yielded by intercoastal routes.

While this radical shift in allocation increased the gross tonnage of American-flag vessels operating on non-European routes by 71 percent, it by no means freed the vital import trade over these routes from dependence on foreign shipping. In 1939 American ships moved less than one-third of the total goods from non-European countries into the United States.

The tonnage increase of 71 percent on these routes by the latter part of 1940 was offset by the 50 percent expansion in import volume. However, ships on the average are carrying larger cargoes today than in the pre-war period, much excess space then existing having been eliminated by the increased demand. On the other hand, the number of trips made by the average American vessel operating on non-European routes declined at least 15 percent, comparing the average for all vessels in 1940 with the average for 1939. This trend was largely due to the closing of the Suez Canal to American ships, forcing them to bring cargoes from South Asiatic ports over much longer routes.

On the basis of these facts, less than one-half of the total volume of imports appears to have been brought from non-European areas into this country by American vessels during the final quarter of 1940. This was a considerable increase from the 31 percent carried by American vessels in 1939. The share of American vessels carrying freight from South American and nearby foreign countries was much larger than in the Asiatic and African trade.

Evidence is not yet publicly available to show directly how the remaining shipping was divided among other nationalities in 1940. In 1939 vessels aggregating about 29,041,000 gross tons entered United States ports with cargoes from non-European areas (excluding the Great Lakes). In addition to American ships, over one-fourth of this tonnage was British and 12 percent Norwegian, while Japan and Panama contributed over 5 percent each, and Denmark and Holland together furnished another 5 percent. French, German, and Italian tonnage was all very small. British tonnage was especially heavy on routes to this country from other North American ports, Asia, and Africa, while Norwegian ships were most active in the South American, other North American, and Asiatic trade. Though the Ministry of Shipping of the United Kingdom has withdrawn a large number of British and Allied vessels from trade between the United States and non-European countries, it seems clear that a considerable amount of such tonnage must still be operating in these areas.

As a result of the spread of active warfare and an expansion in the movement of supplies from the United States under the lease-lend program, the British demand for shipping is increasing. On the other hand,

it is well known that losses by enemy action are exceeding new construction. Hence the United Kingdom will undoubtedly withdraw further tonnage operating between the United States and non-European countries. At the same time the United States need is becoming greater as the flow of strategic and critical materials into the country grows and construction activity upon many new naval bases in the Atlantic and Pacific proceeds.

United States Reserve Tonnage About Exhausted.

To meet its expanding demand for bottoms, the United States today has no appreciable reserve of laid-up tonnage, a sharp contrast to the pre-war situation when 1,700,000 tons were idle. In the intervening period, 1,500,000 tons have been transferred to foreign registry, more than half going to the United Kingdom or its Allies, and the remainder to neutral flags, particularly the Panamanian. In addition, the United States Army and Navy have acquired more than 50 vessels for auxiliary use.[2] Despite new construction of more than 600,000 tons, such shifts as these reduced the total American flag Merchant Fleet (active and inactive) by 856,000 tons from June 30, 1939 to December 31, 1940.

However, some further tonnage remains idle. This consists of the 560,000 gross tons of Danish, German, Italian, and French vessels now tied up in American ports, of which some 303,000 gross tons of Danish, German, and Italian shipping were recently placed in protective custody by the Federal Government. In addition, a few vessels may also be obtained from the coastwise trade. Though ships in this service are carrying larger cargoes now than before the war, as indicated by a reduction in the number of vessels operating in the face of a rising freight volume, some further improvement is believed possible. Of course, this would throw a heavier burden upon the rail system, which already is experiencing a substantial expansion of demand.

[2] Table 2 shows 721,000 tons in lay-up on December 31, 1940. Since that time a large proportion of this has been returned to active service. Only a few Government-owned vessels are now laid up and much of the remaining idle private tonnage has been put in service.

It should also be remembered that a sizable portion of the British losses to date has been offset by the acquisition of enemy, Allied, and neutral tonnage. Since September 1939, it is estimated that the British have chartered, seized, bought, leased, or in other ways acquired between 7 and 9 million tons; so their total supply of shipping is probably larger today than the 20,000,000 tons at the beginning of the war. At the same time, of course, a considerable amount of tonnage is engaged in auxiliary naval service, and the efficiency of shipping has been reduced by longer routes, increased time required for assembling in convoy, loading delays occasioned by bombing and blackouts, and heavy repair and overhauling of attacked ships.

Deliveries This Year Probably Less Than 1,000,000 Tons.

With an already tight position developing in American shipping and a sizeable destruction of British tonnage occurring monthly, the need for an extraordinary amount of new construction is clear. The vessels delivered in 1939 and 1940 by American yards aggegated 241,000 and 447,000 gross tons, respectively, large amounts as compared with pre-war standards but inadequate in the present emergency. American yards had had under construction or had contracted for a total of about 3,400,000 gross tons as of April 1, while plans for the building of facilities to construct approximately 1,600,000 additional tons were announced on April 4. However, total deliveries this year will probably be less than 1,000,000 gross tons.

The current shipbuilding program, including only that for which contracts have already been let, falls into four parts: the Maritime Commission's regular program of 923,645 gross tons; construction for private account of 513,850 tons; the emergency program of the Maritime Commission under which 200 vessels aggregating 1,500,000 gross tons are to be built; and the British emergency program calling for construction in this country of 60 vessels totaling 450,000 tons. The first two programs are well under way, with 555,000 and 248,000 tons scheduled to be delivered to the Maritime Commission and private owners respectively during this year.

Table 2.—Ocean Freight Rates

Commodity	From—	To—	Unit	July 1939	February 1940	February 1941	Percent increase Feb. 1941 from July 1939
Rubber	Straits Settlements	New York	50 cu. ft. (in cases or bales)	$15.00	$18.00	$21.00	40.0
Coffee (green)	Santos	New York	60-kilo bags	.60	.70	.90	50.0
General cargo	New York	Kobe	2,000 lbs. or 40 cu. ft.	25.00	30.00	33.00	32.0
Machinery and parts	New York	Kobe	2,000 lbs. or 40 cu. ft.	15.00	18.00	19.75	31.7
Lumber	Portland	New York	1,000 net bd. ft.	14.00	15.00	16.00	14.3
Steel bars	Baltimore	San Francisco	100 lbs.	.45	.45	.50	11.1

Source: Compiled by the Transportation Division, Bureau of Foreign and Domestic Commerce, from data reported by steamship companies.

Timing of deliveries under the emergency program, however, is less certain. These ships are of simple design, planned for rapid construction rather than for most efficient peace-time performance. The vessels will be powered with reciprocating engines, as capacity for building Diesels and turbines is largely absorbed for other purposes. The American vessels are to be built on 51 shipways being constructed in 7 new shipyards, each yard under the supervision of an established firm. For the 60 British vessels, 16 new ways are being built in 2 yards.

The original schedule for 200 American ships looked to the first keels being laid in March, with launchings 5 months later, followed by deliveries in another 2 months. Once production is in full swing and experience has been gained, the 7-month period from keel to delivery should be cut to under 5 months. Approximately the same timing from keel-laying to delivery is foreseen for the British ships. Inauguration of the program in each case has been slower than anticipated; so deliveries will probably begin with about 90,000 tons of British and only 7,500 tons of American ships during the fourth quarter. Table 3 tentatively summarizes the deliveries of all merchant vessels expected in each quarter through 1942 on the basis of construction and contracts existing on March 25.

Table 3.—Estimated Deliveries of New Ocean Going Merchant Shipping Tonnage in the United States During 1941 and 1942, Under Programs Existing as of March 25, 1941

Year and quarter	Regular Maritime Commission program	For private account	American emergency program [1]	Emergency program for British	Total
1941:					
January-March	96,158	53,100	----------	----------	----------
April-June	147,683	77,900	----------	----------	----------
July-September	153,974	72,100	----------	----------	----------
October-December	156,806	44,700	7,500	90,000	----------
Total	554,621	247,800	7,500	90,000	899,921
1942:					
January-March	114,245	75,050	330,000	90,000	----------
April-June	125,169	51,900	270,000	90,000	----------
July-September	59,730	47,200	300,000	90,000	----------
October-December	69,880	91,900	315,000	90,000	----------
Total	369,024	266,050	1,215,000	360,000	2,210,074
Grand total, 1941-42	923,645	513,850	1,222,500	450,000	3,109,995

[1] 37 vessels aggregating 277,500 gross tons of this program will be delivered in the first quarter of 1943.

On April 4 a very large addition to this program was announced. This is to include 212 vessels, 100 similar to those of the regular Maritime Commission program and 112 of the new "emergency" type. For construction of these vessels 56 new shipways are to be built, approximately half being added to the emergency shipyards and the remainder to regular yards. Deliveries under this new program are expected to start in the first part of 1942. While no information on the rate of deliveries is yet available, it does not appear likely that the entire 212 vessels, which will aggregate about 1,600,000 gross tons, will be delivered in that year. But the program will undoubtedly add well over 1,000,000 gross tons to the present schedule for 1942, with the balance of deliveries being made early in 1943.

To the American construction must be added that of Great Britain. Though no exact knowledge is available concerning present British capacity nor the proportion devoted to merchant construction, it is thought that deliveries of merchant tonnage in 1941 will not exceed materially those of this country.

Tight Position Through 1941.

The above estimates, even though rough, show that construction this year can hardly prevent a growing tightness of shipping facilities. Whether or not the situation will be eased when the substantial deliveries expected in 1942 are made depends upon a number of factors which at this time are unpredictable. Meanwhile, expansion of merchant shipbuilding is enormously complicated by the huge quantity of Naval construction under way in both Britain and the United States. In this country 446 ocean-going naval vessels of more than 2,500,000 tons with a total cost of about $7 billion are under contract, as well as 312 patrol craft, tugs, and the like; 166 harbor and district craft; and 1,404 small boats. No program approaching this magnitude has ever been undertaken in this country before, construction scheduled in the peak year under existing contracts being almost as great as the total built in the 6 years from 1915 through 1921.

As new vessels cannot be turned out in sufficient volume to provide adequate tonnage for all demands, an increasing control over the available supply is probable. The Maritime Commission has already moved in this direction with the establishment of an Emergency Division. Shipowners and operators have been asked to submit for Commission approval any changes they wish to make in rates, chartering arrangements, and routes of operations. A voluntary system of priorities by which vital cargoes are given preference over others has also been set up, so that the Commission, with the aid of the owners, can in effect allocate tonnage as it deems necessary.

These controls over shipping, the most extensive ever exercised by the Commission, are aimed at "maximum use of tonnage." They are the outgrowth of a difficulty which has serious potentialities, and while they afford some relief, the fundamental problem remains; for the basic requirement in shipping, as in many other defense lines, is for larger productive capacity with a substantial expansion of output.